



USDA Foreign Agricultural Service

# GAIN Report

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## Indonesia

### Oilseeds and Products

### Palm-based Cooking Oil Prices Increase

**2007**

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**Report Highlights:**

An increase in unbranded palm-based cooking oil is placing a burden on popular street food vendors. The decreased supply is likely due to competition with crude palm oil for export and biodiesel.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Jakarta [ID1]  
[ID]

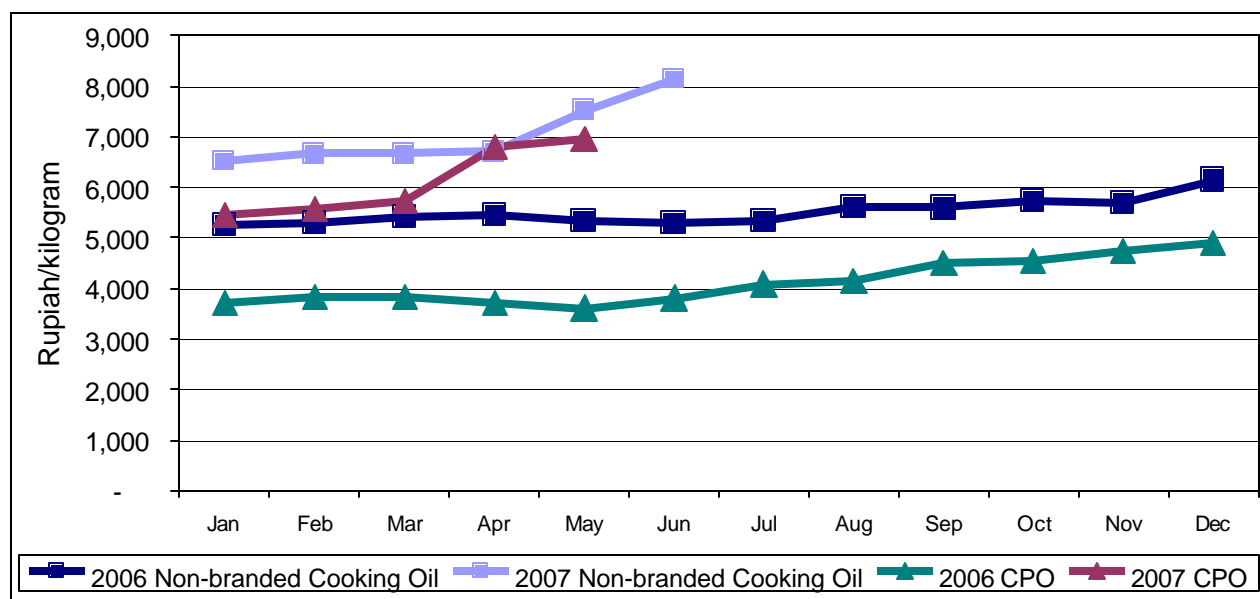
Recent price hikes in bulk cooking oil have prompted the Indonesian government to attempt interventions to lower prices. The government began a Price Stabilization Program on May 21, 2007. Under the program, 40,000 tons of bulk cooking oil at reduced prices will be sold in major population areas with the goal of lowering the price 23 percent. The government is also intervening to increase the supply of crude palm oil in the domestic market to lower unbranded cooking oil prices. Producers were directed to increase the amount of crude palm oil provided for cooking oil use by 50 percent.

To date, the price of bulk cooking oil is not decreasing. June 2007 prices for unbranded palm-based cooking oil are over 50 percent higher than prices in June 2006.

An increase in unbranded, or bulk, cooking oil prices has the largest impact on the popular street food vendors who are dependent on the oil. Because of the high prices, some street vendors are resorting to using spoiled cooking oil. It is common practice to purchase used cooking oil from fast food restaurants, however some are using oil that has been reused more so than in the past. The oil may be clear because a bleaching agent has been added, but it can be chemically broken down to the point it is not normally considered suitable for human consumption.

The increase in prices appears to be due to a decreased supply of crude palm oil in the domestic market. High world prices are encouraging producers to export. For example, January to April 2007 Chinese crude palm oil imports from Indonesia increased 27 percent over the previous year. Reports indicate that the oil is going to support China's biodiesel industry. In addition, cooking oil is also likely competing with biodiesel for crude palm oil supplies. Indonesia is expected to increase biodiesel production to 675,000 MT during 2007.

**Price of Unbranded, Palm-based Cooking Oil and Crude Palm Oil Spot Price-Medan  
2006-2007**



Source: Ministry of Industry and Trade, Data Department, and Center for Market Information